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"EXPERT GROUP MEETING
ON CLUSTER AND NETWORK DEVELOPMENT
WITH SPECIAL EMPHASIS
ON MONITORING AND EVALUATION ISSUES

Report

By:
Jonathan Dawson and Pierre Paris,
UNIDO consultants
and
UNIDO Project Teams in India, Nicaragua, Senegal and Zimbabwe
Edited by:
Giovanna Ceglie
Small and Medium Enterprise Branch"

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9. Monitoring and Evaluation

9.1 What is M&E?

Both monitoring and evaluation (M&E) are involved with the gathering of data to measure the work undertaken by a project and to compare this with the targets set out in the project document. Monitoring is geared towards recording project activities on an ongoing basis during the life of the project. Evaluation takes place both during the life of the project and retrospectively, at the end of a project or project phase. It has to do with appraising both the **efficiency** of the project (its success in achieving the targets set within the agreed budget); but also its **effectiveness** (that is, the degree to which project activities have led to the anticipated improvements in key impact indicators – income, employment, empowerment, etc. We will return to this below).

9.2 Why do M&E? : Different needs of different stakeholders

There is no one reason for undertaking M&E activities. Different stakeholders involved in promoting Cluster and Network Development have different interests, which in turn determine the type and scope of M&E information that are relevant to them. The M&E needs of the key stakeholders are described below:

For **CND project managers**, M&E is a management tool whose primary functions are: i) to keep track of whether the various project activities being implemented are on schedule and in line with the budget; ii) to analyse the degree to which these activities are translating into the anticipated outputs (are vertical and/or horizontal networks developing in the way that had been hoped? are skills and market access improving in the ways that had been anticipated? etc.); and iii) to measure the effect these outputs have on the project's key impact indicators – levels of income, employment, empowerment, etc. M&E systems need to deliver information at each of these three levels to enable project managers to maximise impact, costeffectiveness and sustainability for their initiatives.

Private sector BDS providers are likely to undertake M&E to monitor customer satisfaction, respond to changes in demand, develop new and better products, manage costs, and establish staff incentives.

Donors need M&E information to ensure accountability in the use of their funds and to decide between different types of approach and project in their funding decisions. Donors often focus on broader social and economic objectives of employment, enterprise competitiveness, and poverty alleviation.

Governments value M&E because it is can provide them with useful information on the relative value of different approaches and models. This, in turn, can feed into the process of policy formulation and the coordination of programmes on the ground.

For project **client enterprises**, participation in M&E exercises can provide an important opportunity for cooperation and trust-building and for having a meaningful input into the design and implementation of initiatives that directly affect their performance.

In the remainder of this section, priority will be given to the M&E needs of CND project managers, recognising that their needs will, to a greater or lesser extend, tend to coincide with or complement the needs of each of the other stakeholders.

9.3 What needs to be measured?

The first and most important step in the design of an M&E system comes at the stage of project design. It is here that the key stakeholders need to reach a common vision about:

1. what it is they want to achieve;
2. what things the project needs to do for this to happen;
3. how they would know if they had succeeded in their goals; andm
4. how they intend to measure progress on these fronts

9.4 The log-frame as a tool for M&E

Within the context of the logical framework (log-frame) planning tool, these four questions relate to:

1. development objective and immediate objective;
2. outputs and activities;
3. indicators; and
4. sources of verification.

So, using the vocabulary of the log-frame, M&E can be described very simply as the process of measuring project achievements against the various targets set for each indicator at the four levels of the log-frame (activities, outputs, immediate objective and development objective).[8]

The three core problems faced by most SME projects are that:

1. they tend to gather much data on activities and outputs, but very little on the project's immediate and development objectives;
2. their collection of financial data on both costs and benefits is rarely sufficient to enable them to undertake rigorous and authoritative benefit-cost analyses; and
3. their indicators for sustainability are insufficiently clear to serve as a useful management tool.

Outputs related to manuals produced, training courses provided, exchange visits undertaken, etc. (activities); and of clusters strengthened, policy-makers sensitised and producer

[8] It should be noted here that the log-frame created at the beginning of the project is not cast in stone: stakeholders can return and make changes to it as necessary in response to unanticipated factors or project results. Nonetheless, in most cases, the initial creation of the log-frame is most important step in the process of creating a shared vision, indicators and targets among the various stakeholders.

associations empowered (outputs), etc. can be described as **project performance**. However, they have little to say about increases in employment or income, etc. (immediate objective); or about poverty alleviation or other higher order development objectives. This is **project impact**.

The CND approach is based on the belief (among others) that clustering and networking among enterprises promotes enterprise competitiveness. But can this belief be assumed to be true? We know, for example, that some clusters are highly dynamic while others are more or less stagnant. The relationship between the *outputs* associated with CND projects (increased cooperation and networking within networks and clusters) and their *impacts (*increased wealth and poverty alleviation, etc.) is complex and relatively little understood.

9.5 Measuring project performance

There are clearly significant differences between clusters in the degree to which increased cooperation and capacity translates into solid improvements in the quality of life of the people and performance of the organizations inhabiting them. It is the role of a properly functioning M&E system to throw light on these questions. Similarly, the case studies contain little information on the relative costs and benefits associated with their various initiatives (cost-effectiveness). In addition, while they do provide some information on the transfer of services to BDS providers and other actors, this is rarely presented in the context of a clear and time-bound strategy for post project sustainability.

These various omissions are, in part, due to the very real methodological problems associated with data- collection and analysis at these levels as well as with the "evolving" nature of CND projects. Nonetheless, if M&E systems are to be an effective management tool, these problems must be satisfactorily addressed. The remainder of this section describes some of the main methodological problems and how they might be tackled. We will look in turn at the measurement of project performance, project impact, cost-effectiveness and sustainability. Finally, some of the principles underlying a common methodology for CND projects are proposed.

Provided that clear, specific and time-bound indicators and targets have been set in the log-frame and realistic sources of verification have been established, the gathering of data on project performance should pose few problems. Indeed, this has been the experience of the case studies described above, each of which provides substantial information on the number of clusters strengthened, associations established, business networks created, awareness-raising campaigns undertaken, trade fair visits sponsored and so on.

The only methodological problem in measuring the performance of CND projects lies in how to define the 'strengthening' of clusters and networks. This is the relationship between project activities and outputs: it cannot be taken for granted that, for instance, the establishment of a network produces economic gains for the enterprises that comprise it or providing training to the staff of a producer associations, will necessarily result in a real strengthening of the association capability to be useful for its members. As noted above, the factors underlying the emergence of dynamic clusters and networks are complex: in some cases, for example, the economic climate can be so unfavorable in the sector concerned that no amount of such activities can, in fact, lead to effective joint action among clustered

enterprises. Many other such factors are also likely to be at play. What is required is the identification of indicators that characterize strong and effective networks and clusters. These may relate to the types of decisions taken, the nature of joint projects undertaken, the quality of the relationships that develop with other cluster actors – the relative importance of these is likely to vary between cultures and contexts. Of key importance is that appropriate indicators be identified in a dynamic and context- specific process, rather than drawn mechanically from a list.

Here, developing a culture of rigorous and efficient M&E will bring its own rewards. For it is just such a culture that will facilitate the identification of the key types of behaviors and factors that characterize truly strengthened clusters and networks. Once these have been identified and demonstrated in a good number of cases, project staff may be able with greater authority to draw a convincing connection between the undertaking of certain activities, and cluster and network strengthening.

9.6 Measuring project impact

The impact of a CND project can be defined as those changes, both intended and unintended, that occur (especially but not exclusively) among its target groups – MSEs, producer associations, BDS providers, etc. – that can reasonably be attributed to the project. In this sense, project activities and outputs (all of the various things that project staff do) can be seen primarily as the means towards the end of effecting tangible changes in the conditions of their target groups – which is project impact. In terms of the measurement of impact, four points need to be made at the outset:

1. Even if there were to be no limits on the resources devoted to M&E (which is never the case), it would be just about impossible to arrive at an exact and objective calculation of the impact of any project. Especially in the world of MSE clusters and networks, conditions are much too complex to enable the M&E team to either:
    a. i) capture all of the various effects of project activities that ripple out from direct project clients to other enterprises within and beyond the cluster; or
    b. ii) precisely attribute benefits to the activities of the project, as opposed to all of the other forces and initiatives at play.
2. Neither donors nor project managers *expect* the M&E team to deliver scientifically objective findings on project impact. The aim, rather, is to make an assessment on the basis of reasonable assumptions (that is, assumptions that will stand up intelligent scrutiny and common sense) of what benefits can reasonably be attributed to the project.
3. Effective M&E systems are those that find an appropriate balance between delivering useful (that is, specific and reasonably accurate) findings without using up an unreasonably large amount of the human and financial resources at the disposal of the project.
4. Effective M&E systems tend to be those that focus on a small number of indicators (generally including trends in income and employment) and investigate them thoroughly and well. Conversely, projects that rely on long and poorly-focused questionnaires for their M&E systems tend to alienate both staff and clients while delivering information that is of limited value.

9.6.1 What needs to be measured to determine project impact?

Measurement of trends in the following areas are likely to lie at the heart of all CND projects. (Only specific areas may need to be measured in particular projects, but the following can be considered as to cover the broad range of impact assessment issues for CND.)

- **Scale**: how many people, enterprises and/or institutions were affected?
- **Outreach**: to what extent did the effects (hopefully benefits!) of the project spread to specific target groups (the poor, women, specific castes or ethnic groups, particularly isolated or marginal target
- groups)?
- **Economic gains or losses among client enterprises**, (e.g. changes in output, productivity, product range and quality, income, employment, etc.)
- **Total economic gains or losses**, i.e. including those beyond client enterprises.
- **Capacities and strengths of enterprise networks**, including horizontal and vertical linkages achieved during the life of the project.
- **Total entrepreneurial and networking capabilities**, i.e. including those beyond client enterprises.
- **The development of BDS and financial markets**: in what way has demand for and supply of BDS and financial services been affected by the project?
- **Strengthening of support institutions**: in what ways have the various support institutions, including producer associations and government agencies, been strengthened by the project?
- **Changes in the overall business environment that have an effect on enterprises**
- **Corporate responsibility**: that is, capability of firms to be "responsible" for social and environmental issues
- **Social Capital**: including issues such as collective action and cooperation, social inclusion and empowerment.

The methodological difficulties and challenges associated with the first four of these areas (considered as core elements of an impact assessment system) are relatively well understood and will be discussed below.

9.6.2 Measuring Scale

How many institutions, enterprises, households and individuals have derived benefit from the project? Of course, in most cases, it is impossible to know exactly: good ideas are self-seeding and such impacts are generally difficult to track. The aim is to make a sound estimate on the basis of reasonable assumptions.

A first step is to **distinguish between direct and indirect beneficiaries**. Direct beneficiaries should be easy to count – these are the clients with which the project has direct contact.

Greater methodological challenges lie in the calculation of indirect beneficiaries. This is especially so within enterprise clusters, where part of the rationale for interventions is that innovations introduced by the project will spill over beyond direct project clients, thus increasing the cost-effectiveness of the intervention.

In seeking to quantify indirect beneficiaries, it is necessary to establish what are the main anticipated benefits (or in the case of postproject evaluation, what *have been* the principal benefits) of the project: new techniques or technologies introduced? new products developed? joint raw materials purchase? new markets opened up? others? The aim then is to attempt to gauge the degree to which other actors that have had no direct contact with the project have also adopted the new techniques, technologies, working methods, forms of organisation, or whatever the specific benefits might be.

How one would investigate this and where one would look for evidence will depend on the nature of the anticipated benefits and identity of the likely beneficiaries. Remember that beneficiaries will not necessarily be limited to other small enterprises: they may also include other actors both upstream (those supplying benefiting enterprises with raw materials, equipment, components, etc.) and downstream (those using the products of benefiting small enterprises in their various activities). It is important here to think in terms of 'value-chains' – to attempt to track impact throughout the chain
of relationships of which client small enterprises form part.

In most cases, this is best done relatively informally – that is, by visits to other areas or enterprises where it is anticipated that the innovations may have taken root and the use of key informant and semi-structured interviews – rather than by highly rigorous and scientific analysis.[9] This latter strategy is likely to prove too time-consuming and expensive. Remember, the principal aim of M&E for project staff is as a source of information to improve the quality of management, *not* as a propaganda tool. In consequence, those undertaking such studies should be motivated primarily by curiosity about the degree to which project strategy is working and benefits are spreading throughout the cluster and beyond. If this is happening to a significant degree, what has the project done right and what lessons can be learned to guide future actions? If not, what more could the project be doing to facilitate dissemination? It serves no one for project staff to actively seek out those cases that justify its approach, over-looking cases of failure.

9.6.3 Measuring outreach

[9] 'Key informants' are people identified by the M&E team as particularly important sources of information by virtue of the position they occupy in the SME world or in the value-chain of which they form part. Semi-structured interviews can involve the use of both questionairesquestionnaires and more informal discussions. They provide greater flexibility and permit the gathering of more qualitative information than conventional, questionairequestionnaire-based interviews.

To what degree has the project succeeded in delivering benefits to particular target groups? Begin by noting which (if any) specific groups the project seeks to reach – women? the poor? specific ethnic groups or castes? etc? Particular attention is required in projects with a strong focus on poverty alleviation in defining what constitutes 'the poor'. Is poverty to be measured in purely financial terms or is there a place for considerations such as access (to health, education, land, etc.) or vulnerability?
Having clarified precisely which special groups are to be targeted, these need to be represented to an appropriate degree in the M&E's baseline sample and control group (see below). If non-financial measures of improvement in the condition of the poor have been adopted, a more qualitative approach to impact assessment will be required. This is likely to entail the adoption of a highly participatory approach to ensure both that appropriate indicators are identified and that high-quality information on project impact is gathered. There is likely to be a need to complement (or, in some cases, to replace) the questionnaire-based method of information-gathering, so suited to quantitative data collection, with key informant and semi-structured interviews and focus group formats. (This point is equally true when setting and measuring all qualitative indicators, not just those relating to poverty.)

9.6.4 Measuring economic gains among client enterprises.

Remember that a core rationale for most enterprise development projects is to promote an increase in the material well-being of households and individuals, and the most accurate indicators we have for measuring this is jobs and earnings. A crucial factor to be considered here, however, is time. In CND projects, in fact, the impact on enterprise profitability "matures" only over time because these projects focus on institution building and inter-enterprise relationships rather that on direct support to individual enterprises

Keeping this factor in mind, it is still important that economic gains of local enterprises are adequately accounted for and the first task here is to **draw up a representative sample** of client enterprises to provide the data base-line. What are the key variables within the target group you are working with most likely to have an impact on enterprise level trends in employment and income? – sector? enterprise size? level of technological sophistication? gender of the owner or workers; caste or ethnicity? (The relative importance of these is likely to vary significantly between projects.) Identify which are the most important and ensure that the baseline sample offers an approximate reflection of how these variables are distributed among the total universe of enterprises that the project is targeting. The sample needs to be large enough to compensate for any particularities or exceptional cases at enterprise level: generally ten per cent or so of the total number of direct beneficiaries is recommended.

In general, getting information on trends in employment at enterprise-level is relatively straightforward. However, it is important to remember that in many situations, a significant amount of employment is neither fulltime nor permanent. M&E systems need to have sufficient sensitivity to track trends in seasonal and part-time work. This requires either relatively frequent monitoring (quarterly information-gathering should be sufficient) or training of sample entrepreneurs to record this information themselves on simple questionnaires. M&E should attempt to record not just the number of workers but also: i) category of worker (skilled employee, apprentice, part-time, seasonal); and ii) how many hours per week they are employed.

Gathering data on trends in income among client enterprises can be significantly more difficult. There are numerous reasons why an entrepreneur might provide inaccurate information to a project M&E worker: poor memory recall in a context of little or no record-keeping, fear of the information leaking to the tax authorities; believing that under-reporting or over-reporting gains might result in additional project assistance; or a simple desire for privacy and/or resentment of perceived intrusion. In spite of all this, and especially where strong relations of trust have developed between project and clients, direct enterprise-level questionnaires on income trends can deliver valuable results.

In those cases where it is not safe to trust information on income gained from direct interviews, one alternative (or complementary) approach is to identify **proxy indicators** – that is, indicators which are closely related to the trends to be measured and which can be expected to throw significant light upon them. In the case of income, the best proxy indicator is production. Here, the task is to identify the principal products made by target enterprises and to track changes in their levels of production.
This can be done in one of three ways. First, and easiest, in those cases where enterprises are involved in joint marketing, the records of the marketing company can provide all the necessary information. Second, entrepreneurs can be trained to record production data on simple questionnaires. Finally, the information can be gathered through regular visits by field staff. Remember, the aim is not to record every item produced, but only the major ones.

The next challenge for the M&E system is that of **attribution** – that is, to what extent can any gains that are recorded among client enterprises be attributed to the activities of the project, as opposed to other forces at work within the cluster or network? The best way of addressing this problem is to establish a **control group**. A control group is a group of enterprises that, as far as possible, resembles the base-line sample in every respect other than that it derives neither direct nor indirect benefit from the project. Thus, in theory, by using a control group, the specific impact of the project can be isolated.

The use of control groups is rarely without its complications. Enterprises enjoying no project support have little interest in cooperating with M&E staff – in many cases where control groups are used, in fact, they are paid a small fee to encourage them to do so. In addition, it is rarely easy to find a truly similar control group, not least because clusters are often selected for participation in CND projects because they already enjoy some special distinctive characteristics that set them apart from others. Within the cluster, it can also be difficult to identify enterprises that are in no way affected by the project – for one of two reasons.

First, where cluster-based projects are successful, their effects are likely to ripple widely throughout the cluster, with the innovations introduced by the project imitated and replicated by many others. Second is the problem of **displacement**; that is, do the gains recorded among the sample group genuinely represent new economic activity, or do they merely indicate that enterprises benefiting from project assistance have displaced to others that have not? If this is the case, the contrast in fortunes between the two will be exaggerated (and the project may believe it is being very successful), even if little or no new economic activity is being generated.

There are no easy solutions to these challenges. The most that project staff can do is to be aware of the dangers in the creation of their control group and to aim for a group that as nearly as possible resembles the baseline sample in all respects other than participation in the project.

9.6.5 Measuring total economic gains

We return to the question of how to track impact beyond the direct project clients. *Within* the cluster, as noted above, successful projects are likely to generate significant cluster-wide ripples, with new products, techniques, technologies, working practices, forms of enterprise cooperation, etc. being widely imitated and replicated. In addition, the capacity of producer associations and other organisations is likely to grow, enabling them to better promote the interest and fortunes of their members. Further, within the cluster as a whole, capacity for design may well be enhanced, with additional positive consequences in terms of increased growth.

External to the cluster, there may well also be significant benefits to a range of actors along the value-chain. An increase in the capacity of small-scale capital goods manufactures, for example, is likely to have a wide and deep impact through the dissemination of small-scale manufacturing and food processing equipment, creating new opportunities for rural enterprises, with employment and income gains among both rural entrepreneurs and farmers. Increased vitality within MSE clusters, irrespective of the specific sector, will generate additional economic activity, both up-stream among suppliers; and downstream among clients (except in the case of purely consumer goods).

It is important for CND projects to attempt to capture these various indirect benefits, for two principal reasons. Firstly, as a management tool. One cluster development project in Zimbabwe began by gathering data only among the small-scale engineers that it was working with. At this level, it concluded that impact was relatively low – significantly lower than project costs. Only later did it recognise that most project benefits accrued not to the small-scale engineers (their direct clients) but to the rural entrepreneurs who bought their equipment and the farmers from whom they, in turn, demanded an increased supply of inputs. This insight permitted a shift in project strategy that saw a much greater focus on the marketing of the equipment made by their client enterprises in the rural areas of the country. This shift resulted in the project having a significantly increased impact.

Second, to ensure efficient allocation of development funding, it is important to be able to compare the total relative costs and benefits of different projects and of different approaches and models. As CND projects are often characterised by relatively high levels of ripple benefit (beyond direct project clients), it is especially important for them to be able to track these wider impacts. We will return to this in the next section on cost-effectiveness.

9.7 Measuring cost-effectiveness

There are two dimensions of cost-effectiveness that CND projects need to measure. The first is that noted above, namely relative project costs and benefits. There are well established conventions governing the calculation of benefit: cost ratios, including the projecting of anticipated monetary benefits for 10 – 15 years beyond the life of the project.

It is essential that such calculations, whether undertaken during the project or after its completion, be undertaken in as transparent and professional a manner as possible.

A negative benefit: cost ratio does not necessarily mean that a project has failed; many are able to argue that certain of the benefits generated have some 'public goods' characteristics (enhanced skills and other capacity spreading far beyond the direct target group) for which full cost-recovery is neither possible nor reasonable. However, a transparent and professional benefit: cost analysis will help to make this rationale explicit and to make the case for on-going government or donor subsidy.

It is also useful, where possible, to attempt to separate out the costs and benefits associated with different services provided by a project. This enables project managers to get a feel for which of the services (or which combination of services) they provide are having greatest impact. It is true that where services are bundled together, such a disaggregation of costs and benefits may be difficult. However, calculations of the relative costs and benefits of packages of bundled services may also be both possible and useful. The greater the level of disaggregation, the more useful it is likely to be to project managers.

The second dimension of cost-effectiveness needing to be tracked can be described as 'value-for-money' – that is, are the services being provided in the cheapest and most efficient way possible? This is a particularly important consideration when considering services for which there is the potential for competition between the project and other BDS providers.

Every effort needs to be made to ensure that donor funding is not providing hidden subsidies in service areas where private service providers could emerge. If project managers are to make informed decisions on the allocation of resources; and if they are to encourage rather than inhibit the development of private sector BDS markets, M&E systems need to be designed to permit the tracking of service-specific costs and benefits.

9.8 Measuring sustainability

Is there a need for the services provided by the project to continue beyond the life of the project? If so, how are they to be provided? The case studies in section two suggest five possible sustainability strategies (that are, in fact, complementary – most of the case studies include at least several of the following elements).

Transfer services to private sector BDS providers.

Strengthen the capacity of business associations to provide services beyond the life of the project.

Client enterprises within the cluster take over from the project payment for the services of the cluster or network broker.

Look to donors or government for longterm subsidy. This will be possible only where projects succeed in persuading donors or governments of strong 'public good'-type benefits accruing from projects that will incline them to provide on-going support. However there is

an obvious risk in this type of strategy especially in countries where public budgets are scanty and development priorities may change. Only rarely will this prove to be a viable sustainability strategy.

Support 'soft networks', for short-term, specific goals, that will not need to continue beyond the life of the project.

The first task is to be clear about which of these elements, and in what combination, are to make up the project's sustainability strategy. Then, targets and timetables need to be set for each. For example:

Which BDS are to be transferred to private sector providers? What should be the timetable for this transfer? How is it to be achieved?

According to what timetable should business associations take over project activities? Which ones? How?

What is the strategy for engaging donors and/or government into playing the role of long-term funder?

What are to be the indicators and targets for this?

Each of the key stakeholders concerned should be involved in negotiating and setting the targets and timetables for the sustainability strategy. This will create consensus around the strategy that evolves, thus contributing to its chances of success.

A few words are needed specifically about tracking the development of a BDS market, since this is likely to be a particularly important element of most CND sustainability strategies. In many (some would say most, or even all) cases, private sector organizations are likely to be able to deliver BDS more efficiently, cheaply and sustainably than donor-funded projects. In this context, the appropriate role of projects should be to stimulate private sector BDS provision rather than attempting to play this role (in the longterm) themselves. Thus, it is legitimate for projects to act as BDS providers only as a means of stimulating demand for and/or private sector supply of the services in question.

However, it will be difficult for project managers to gauge when and at what speed to withdraw from service provision without good information on the levels of existing demand and supply potential within the marketplace. On the demand side, the M&E system needs to be able to track both what services are required by small enterprises within the cluster and their willingness to pay for these. On the supply side, indicators need to be developed and tracked that describe the capacity of private sector providers to deliver services of an acceptable quality.

It is important that private sector BDS providers have the capacity to undertake market research of this kind into the future, if they are to be able to adapt their services to changing patterns of demand. Consequently, it should be an important part of the capacity-building work of CND projects to undertake this M&E work in close cooperation with these private sector service providers.

9.9 Conclusions: key principles of a CND M&E system

The following are some of the key principles of an appropriate M&E system for CND projects arising out of the foregoing:

M&E for managers of CND projects should be seen primarily as a **management tool**, whose function is to feed information into the process of **maximising the impact**, cost effectiveness and sustainability of this and other similar projects. Project M&E systems that are geared towards proving impact to donors and governments are too often selective in their search for positive evidence and thus, miss out on the many positive lessons to be learned from failed experiments.

M&E should be seen as a learning experience, an opportunity to engage all stakeholders in the process of setting indicators and targets and measuring performance and impact against them. This is likely both to build the capacity of the various stakeholders and to lead to an improved flow of information at the disposal of the project team.

It is important to deliver high-quality information not just on project activities and outputs; but also on immediate and development objectives.

Indicators need to be adapted to sector- and culture-specific contexts rather than drawn in a mechanical way from a pre-prepared list.

Effective M&E systems tend to work with a relatively small number of highly-focused indicators. The process of designing and implementing an appropriate M&E system should arise out of the questions: 'what are we trying to achieve?' and 'how would we know if we were succeeding in this?' If done this way, the process of M&E data collection and analysis should feel meaningful and exciting as all involved track progress against commonly-agreed indicators and targets.

Neither project managers nor donors expect scientifically rigorous findings from an M&E system. What is required are results based on reasonable assumptions, that demonstrate awareness of the factors that are most likely to distort the true picture.

Devote resources at the outset to the establishment of a base-line data set and of a control group. This is likely to save many M&E problems in the longer-term.

It is desirable to provide some form of benefit: cost analysis. If this is to be relevant to CND projects, which have the potential to create substantial ripple benefits, ways must be identified to track and quantify impact beyond direct project clients, throughout the value-chain.

For the M&E system to be a useful management tool in tracking progress towards sustainability, a sustainability strategy must be clearly articulated and appropriate indicators and targets set.

Measurement of trends in the supply and demand of BDS should be done in close cooperation with private sector service providers as a way of transferring capacity to them.